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Intellectual Ammunition

On State and Local Issues

Potshots

Our Founding Fathers objected to taxation without representation. They should see it *with* representation.

—Anonymous

Only the educated are free.

—Epictetus

The price of seeking to force our beliefs on others is that someday they might force their beliefs on us.

—Mario Cuomo

Majority: That quality that distinguishes a crime from a law.

The older I grow the more I distrust the familiar doctrine that age brings wisdom.

—H.L. Mencken

Newspaper editors are men who separate the wheat from the chaff, and then print the chaff.

—Adlai Stevenson

A politician is one who likes what the majority likes.

—Eugene E. Brussell

You can fool too many of the people too much of the time.

—James Thurber

You may be disappointed if you fail, but you are doomed if you don't try.

— Beverly Sills

Making a Market for Welfare

by Peter J. Ferrara

In Washington, everyone seems to be talking about welfare reform based on the idea of block grants. Under such reform, current federal funding for the major welfare programs would be sent to each state. The states would each have broad discretion to use the funds to help the poor within their jurisdiction as they thought best, through their own newly designed state welfare systems.

While the consensus has grown for such federal block grant reform, little has been said about what the states should do with their new discretion and power to reform welfare. What will work to reduce rather than increase poverty?

Welfare Reform: What's Needed?

Analysts have long noted that the current welfare system offers all the wrong incentives for recipients, strongly discouraging work and marriage, while strongly encouraging the birth of children out of wedlock.

What has not been recognized, however, is that the welfare system also fails to offer the bureaucrats any real incentive to make the system work—that is, to make it operate so that the poor move out of dependency as swiftly as possible. Welfare bureaucrats gain nothing when a recipient leaves welfare. To the contrary, the more welfare recipients become independent, the more the welfare bureaucracy loses power, funding, and potentially even jobs for the bureaucrats themselves. Consequently, the welfare bureaucracy has every incentive to perpetuate dependency rather than end it.

What is needed is a new system that provides positive incentives for both the welfare recipients and providers.

A Comprehensive Proposal for Reform

Under the proposed new system, all welfare assistance would be provided by competing local organizations that apply to participate. Each local government would establish at least one such provider organization. In addition, private sector nonprofit organizations, church groups, and even for-profit organizations would be allowed to participate.

Prospective welfare recipients would apply to an appropriate government agency for a determination of eligibility for assistance. Everyone, married or single, with children below age 18 should be eligible if they fall at or below the qualifying income level, which would continue to be set (as in the current system) by each state.

Each recipient certified as eligible would then choose from among the menu of local au-

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Lee Kessler
Editor (1971)

News from the Heartland

by Joseph L. Bast
Publisher

Welfare Reform at Last?

In recent issues of *Intellectual Ammunition* we've covered such hot topics as privatization, school choice, and environmentalism. We're pleased to stay on the cutting-edge of policy debate this month by focusing on what may be the hottest policy issue of all: welfare reform.

A popular reform proposal among Republicans is combining existing federal programs into one or more block grants to states. State officials, the reasoning goes, are more in tune with the needs of their citizens than are bureaucrats at the national level. But Peter Ferrara, senior fellow at the National Center for Policy Analysis and author of this month's cover article, argues that block grants leave unchanged the incentives of those employed in the poverty industry. "Welfare bureaucrats gain nothing when a recipient leaves welfare," he writes. "To the contrary, the more welfare recipients become independent, the more the welfare bureaucracy loses power, funding, and potentially even jobs for the bureaucrats themselves."

Ferrara proposes instead a bold market-based welfare reform plan where provider organizations are rewarded when their "clients" become self-sufficient and are penalized if recipients remain in poverty. His plan promises to promote innovation, responsible behavior, and efficiency by tapping the dynamics of competition.

Peter Ferrara has gone beyond the stereotypes and false hope that have come to characterize the debate over welfare reform. Are there state legislators with the vision to implement such a bold and promising idea?

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Bigger and Better

You may notice that this month's issue of *IA* is four pages longer than our standard format. This expansion enables us to pack more information into an already information-saturated publication. Specifically, we've expanded the Research Reviews section, enlarged the short essays to make them easier to read, and added a page describing the many services available from The Heartland Institute.

We hope you find these changes useful. Please let us know how we can further improve *IA*. Send us a fax at 708/202-9799, or e-mail us at think@heartland.org.

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thorized provider organizations. When the recipient chooses an organization, that organization would receive a government grant to be used to provide the assistance to the recipient. The grant would initially be set to equal the average amount of assistance from current government welfare programs provided to recipients in the organization's local area who stay on welfare for two years or less.

The chosen organization would be responsible for providing the recipient's full range of basic material needs, including food, clothing, shelter, etc.—but not health care, which would be financed by the state through monthly vouchers—for two years. The agency would be free to provide for those needs in whatever manner it thought best.

Overall, the full package of assistance provided by the agency should not be worth more than what could be earned by full-time work at the minimum wage, or at low income entry level jobs in the local area should they pay more.

We need a welfare system with positive incentives for both welfare recipients and providers.

The assistance delivered through provider organizations is to be offered in return for full-time work by the recipient, or by one of the spouses in a recipient couple. Provider organizations would be obligated to provide their assistance through such a work model as a condition of their initial and continuing authorization to participate in the system. But, again, each organization would be free to determine how this work would be structured and pursued.

The provider organization would have a powerful incentive to steer the recipient, or one of the spouses in a couple, to such independent work. That is because the organization would only be responsible for supplementing any such independent income to maintain an adequate, target level of support. And if the recipient could eventually earn enough to finance complete support independently, then the organization would be completely relieved of the burden of support.

Each organization would have the flexibility to tailor its work program in the way it thinks would best help recipients attain long-run economic independence. The organization might offer recipients training or education, either directly or through an outside provider. It might have a program focused on molding the character, moral values, and work ethic of recipients. It might also seek to change destructive personal habits and behavior patterns (such as alcoholism or drug abuse) and promote constructive personal habits and behavior.

Each provider organization would be responsible for arranging any necessary day care for the children of working recipients. The organization would again have the flexibility to develop the best local arrangements for such care.

If a single recipient married a working spouse, then the pair would be treated as a recipient couple. Full-time work by one spouse would satisfy work requirements, and the earnings by that spouse would save the provider organization some or all of the support expenses for the original recipient.

The new system would create powerful incentives for both recipients and the provider organizations to pursue that marriage option. Through marriage, a recipient could avoid the work that would otherwise be required under the new system. The recipient could then spend more time with the kids if that is what he or she prefers. The provider organization, meanwhile, would reap the same economic reward by inducing marriage to an independent worker as by inducing independent work by the original recipient.

States could implement this system using the funds from the Federal block grants, along with the funds that each state is currently spending on welfare.

Why It Would Work Infinitely Better

First, the new system would straighten out the incentives for recipients. It would eliminate the incentives in the current system to avoid work and marriage, and to bear children out of wedlock, because benefits no longer would be tied to those actions. Instead, under the new system benefits only would be paid in return for work.

As a result, many low-income individuals would bypass government aid altogether and accept employment directly in the private job market. They would have affirmative incentives to do so because of the long-term advantages of private employment in providing raises and promotions, and developing real work experience and skills over time.

But the new system offers recipients more than just incentives. It focuses as well on development of their moral values, character, personal habits and behavior, and social capabilities. Some analysts emphasize such moral and social issues over financial incentives in addressing the problems of long-term poverty and dependency.

In addition, the new system offers a change in incentives for welfare providers probably even more dramatic than for welfare recipients.

The more successful providers are in helping their recipients achieve independence, the more providers will grow with greater funding and bigger programs, as more welfare recipients will be allocated to them over time. To the extent they fail to help their recipients achieve independence, moreover, they will be phased down and ultimately out of the system altogether, further adding to the pressure and incentive to succeed.

The new system consequently sets up a free-wheeling competition to discover what works under what circumstances and what does not. And, as is in a true market, those approaches that are proven real-world successes in fostering independence will automatically expand and grow, while those approaches that fail will automatically shrink and ultimately be phased out. The system, therefore, will automatically utilize and rely on those approaches that are proven successful, maximizing overall results.

Conclusion

Remarkably, our nation currently spends about $350 billion a year on the full range of welfare programs at all levels of government to maintain a dependent population of around twenty million or more in conditions of deepening hopelessness, misery, and despair for many. This proposed new system would help most of this population achieve a much better life and become economically and socially independent. In the process, the new system would greatly reduce the nation's economic burden of dependency support to only a fraction of its current level.

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Peter Ferrara is a senior fellow at the National Center for Policy Analysis.

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Uncovered

Hostile Historians: The National Trust for Historic Preservation

Robert V. Pambianco is editor of *Organization Trends*, a publication of the Capital Research Center, 727 15th St. NW, Eighth Floor, Washington, DC 20005-1599; 202/393-2600 fax 202/393-2626.

CAPITAL RESEARCH CENTER

The National Trust for Historic Preservation was chartered by the U.S. Congress in 1949 to "protect buildings, sites, and objects significant in American history and culture." Over the years, it has encouraged Americans to better appreciate the significance and beauty of many places in American history. The Trust has acquired and manages eighteen historic "house museums," including the homes of President James Madison, President Woodrow Wilson, and Naval hero Captain Stephen Decatur, as well as three Virginia plantation mansions.

In recent years, however, the Trust's mission has moved beyond the preservation of noteworthy sites. Using historic preservation as a vehicle to promote an anti-growth agenda, the Trust now dedicates itself not only to protecting historic places but also "historic environments," the "livability of our communities," and "diversity."

The Trust has a budget of $33 million and total assets of $68 million. Its president is Richard Moe, former chief of staff to Walter Mondale. It receives one-fifth of its budget from the federal government through a grant from the National Park Service.

Constitutional Concerns: The Fifth Amendment

The Trust often finds itself at odds with the Fifth Amendment to the Bill of Rights, which states that the government may not seize property for public purposes without just compensation. With that Amendment in mind and as part of the Contract With America, property rights proponents in Congress have proposed so-called "takings" legislation, which requires federal agencies to compensate property owners whose land has been devalued by government regulatory mandates.

Even though the legislation would not limit government's authority to declare a property to be a historical landmark, the National Trust has joined with the environmental movement and other liberal constituencies in opposing takings legislation.

In the courts the Trust has also sided with opponents of property rights. In *Dolan v. City of Tigard*, an Oregon case, the U.S. Supreme Court last year ruled that the city violated the Fifth Amendment's takings clause in requiring a property owner to turn over a portion of her property—for a bike path—as a condition of receiving a development permit. When the Court held that city officials could not justify commandeering 10 percent of her lot, the Trust filed an *amicus* brief in support of the city.

Wal-Mart: Public Enemy

The Trust's recent campaign against Wal-Mart stores suggests a hostility to consumer preferences. Wal-Mart has become the bane of anti-growth groups, labor unions and environmentalists. Preservation elites believe Wal-Mart is a supreme symptom of the so-called "sprawl" they loathe.

In a recent issue of *Historic Preservation News*, Jonathan Walters posits that "sprawl-spawning megastores" like Wal-Mart have become "public enemy number one" in the battle for the "soul of small-town America." While Wal-Mart is the biggest offender, preservationists also have set their sights on K-Mart, Home Depot, Builders Square, and price clubs like Price/Costco and Sam's.

A New History?

The Trust's hostility toward Wal-Mart reveals how far it has strayed from its original mission. As the *Chicago Tribune* noted as far back as 1991, "America's premier preservationist group has changed its ideas of what is history and how to preserve it." When it was chartered by Congress, the Trust concentrated on buildings and places associated with great persons and events in early American history. In other words, what it preserved had to be historical, not merely old.

> *The Trust today seems concerned with much that is of negligible historical significance.*

Judging by stories in its newspaper, the Trust today seems concerned with much that is of negligible historical significance—and often not very old, including:

- a vintage McDonald's restaurant in Downey, California;
- a 1940 addition to a Georgia department store built in 1924;
- a 1925 Honolulu bank; and
- Detroit's Tiger Stadium

The Trust newspaper also reports on efforts to save the world's largest ketchup bottle, erected in 1949 in Collinsville, Illinois. And in 1993, the group placed the entire state of Vermont on its list of "America's 11 Most Endangered Historic Places."

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Education

Joseph Walsh

Lessons From A Voucher Bill Defeat

"Too much of what ultimately matters in a child's education is decided on the basis of political muscle by groups whose primary interest is not necessarily the child."

Over the past six months, not a day has gone by that I have not reflected on those words in meetings, both public and private, on the state of public education in America today. The words were first written by Dr. Sam Redding of Lincoln, Illinois—one of the country's leading authorities on how children learn.

Dr. Redding's understanding of the situation was affirmed in Springfield, where yet another pilot school voucher bill was rejected. The bill would have made it financially possible for two thousand low-income, public school students in Chicago to attend any public or private school they and their parents chose. Now, those two thousand children will have no choice but to attend ineffective, overcrowded, and often unsafe public schools.

I was up late one night in early May, feeding my seven-month-old son and watching a congressional hearing on C-SPAN. Henry Cisneros, director of the Department of Housing and Urban Development, was testifying on the Clinton administration's plan for public housing. Cisneros passionately called for providing residents of public housing with vouchers that would allow them to purchase housing in the private marketplace. He said something to the effect that, "public housing in this country will never be adequate until the people who live there are able to leave, to use the final threat of exit power, the ability to take the tax dollars and go somewhere else."

> *"What about public schools?!" I shouted to nobody but my baby.*

"What about public schools?!" I shouted to nobody but my baby. Doesn't the same principle apply there? Isn't adequate public schooling as important as adequate public housing?

And then two weeks ago, I was speaking with a former Illinois state senator, a longtime supporter of educational choice. "Down in Springfield, there is an amazing balance of competing interest groups when it comes to virtually every major state issue," he said. "On health care reform, you have powerful interest groups on both sides of the issue. Same story on tort reform, agricultural issues, abortion, and so on.

"The only area in which there is no balance in this state is education. There are groups down in Springfield forcefully articulating the concerns of teachers, school boards, administrators, and education bureaucracies. But there is no group in Springfield that truly represents the *consumers* of education—the parents, families, and children. I can't think of any other issue that rivals education in its interest group lopsidedness."

Opinion polls consistently report that a large majority of Illinoisans support educational choice. And yet an incredibly timid, unobtrusive pilot voucher bill failed once again to become law in Illinois. Why are vouchers repeatedly rejected out-of-hand by our policymakers in Springfield?

Because there is no sizable, diverse, organized, and vocal constituency demanding that parents in this state be given the right, and allowed to take the responsibility, to choose which schools their children attend.

When this "army" is finally called together, comprehensive educational choice in Illinois will become law. Unfortunately, nobody to date has been able to create such an army in Illinois. Supporters of educational choice in Illinois are often divided by strategic and ideological concerns. The business community, much to its shame, largely sits out the debate, fearful perhaps of offending the teachers unions' powerful friends in government and the media. Is it any wonder that the teachers unions and entrenched educational interests have been able to swat away choice bills whenever they are brought up?

It's time to develop political muscle for parents and children. Our urban public school systems are hopelessly broken. Unless the parents of children in public schools are able to threaten to enroll their children in competing private schools, the public schools will never be held accountable.

Parents, children, and angry taxpayers far outnumber representatives of teachers unions, school boards, and education bureaucracies. We need to be patient enough to turn this loosely defined groundswell into political muscle: fifty thousand parents, voters, and taxpayers demanding change. Imagine representatives of the Chicago Teachers Union telling a group of five thousand low-income, minority parents in Chicago that they have no right to decide where their child attends school!

Let's go into the neighborhoods, and identify those parents and children who want—and need—vouchers the most. Let's be patient and get to work.

CENTER FOR REBUILDING AMERICA'S SCHOOLS

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Environment

Jonathan H. Adler

Time for Clean Air Act Reform

The Clean Air Act Amendments (CAAA) of 1990 have placed a tremendous burden on state and local governments throughout the country. The CAAA's combination of rigid mandates, costly controls, and unnecessary measures threaten to put a damper on economic activity and individual mobility in many of America's major metropolitan centers. As a result, many state and local officials are now calling for reform.

The most vociferous complaints about the CAAA result from its draconian regulations governing automobiles. Metropolitan areas designated as "serious" or "severe" ozone nonattainment areas—in other words, cities the federal government declares are smoggy—must implement enhanced federal clean fuel programs and automobile inspection and maintenance programs. In addition, "serious" nonattainment areas must require the sale of costly reformulated gasoline at service stations and force large employers to wean their employees from solo commuting. Those policies are all extremely costly, though not all promise significant environmental benefit.

To make matters worse, so-called stationary emission sources—firms and factories—must deal with Title V, the CAAA's onerous permitting provisions. Under that provision of the act, some 34,000 industrial facilities around the country must file voluminous permit applications to state environmental agencies each time they wish to modify existing production procedures. This paperwork-producing program comes at significant cost. Chemical manufacturer Elf Atochem, for example, estimates that the permits for its larger facilities will cost $150,000 to $200,000 each.

Title V not only makes companies bristle, it imposes a significant burden on state regulators as well, because state agencies are required to process Title V permit applications for the federal Environmental Protection Agency (EPA). That is no easy task. In Ohio, for instance, the Ohio EPA plans to hire more than one hundred new employees simply to process the 1,500 permits that are expected within the state. All told, the federal EPA estimates that Title V will cost over $500 million per year.

The CAAA is costly, but will it clean the air? Unlikely. In the case of Title V, this portion of the CAAA has no environmental component. It is simply a means for the government to acquire information (read: generate paperwork). Were Title V to be repealed, the CAAA's emission control requirements would remain unchanged, and it is doubtful that air quality would suffer. Yet the regulatory burden would be significantly lighter.

As for the automobile regulations, requirements like inspection programs and clean fuel formulas are "drift net" strategies that achieve reductions due to their scope, not their effectiveness. A minority of the automotive fleet is responsible for a disproportionate share of auto emissions. Yet the CAAA's measures fail to target emission reductions on the greatest emission sources, so they are far less effective and equitable than other potential approaches.

All of this begs the larger question: Are any of these measures necessary to clean the air? In most of the country—just about everywhere outside of California—the answer is no. The federal government designates cities as "nonattainment" areas based upon air quality measurements that are several years out of date. Using this old data, the EPA has declared that 85 cities outside of California are nonattainment areas; 16 of those are currently designated as "serious" or "severe."

> *America's cities have made substantial progress in pursuit of federal clean air goals. Nonetheless, the EPA is requiring the imposition of costly regulations in several dozen cities where there is no need for further emission reductions.*

Yet if the EPA were struggling to use the most recent data available, many cities struggling to comply with the CAAA's regulations would be let off the hook. Based on the most recent data, fewer than twenty cities outside of California should be considered nonattainment areas, and only one of those could be called "serious." None could be considered "severe."

The reality is that America's cities have made substantial progress in pursuit of federal clean air goals. Most of the country complies with the federal requirements. Nonetheless, the EPA is requiring the imposition of costly regulations in several dozen cities where there is no need for further emission reductions. If those cities wish for even cleaner air, that is a decision they are capable of reaching themselves.

CEI

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Health Care

Michael D. Tanner

The Right (and Wrong) Way to Fix Medicare

In the last issue of *Intellectual Ammunition* we discussed the perilous condition of the Medicare system and the program's fundamental design flaws. This month, we examine current proposals for Medicare reform.

The Wrong Way to Fix Medicare

Many in Congress have fallen back on such traditional remedies as increasing the payroll tax, raising Medicare premiums, pushing the elderly into managed care, and restricting reimbursements to providers. There is little evidence that any of those proposals will succeed in restraining the growth of Medicare spending. There is evidence, however, that such approaches will be harmful to the economy, the health care industry, and the elderly.

Medicare premiums already represent a significant burden for many elderly Americans—$1,106.40 per year for an elderly couple. Any major increase in premiums, therefore, would risk pushing many elderly into poverty. More important, a premium increase would simply pump more money into a failing system. Unless costs are constrained, it would result in a never-ending chase, with ever-increasing revenues (from both premiums and general revenues) vainly attempting to catch ever-increasing spending.

Realizing the need for cost control, many politicians have fixed on managed care with an almost religious fervor. But their faith may be badly misplaced.

Managed care is not new to Medicare. For the last ten years, Medicare recipients have been allowed to enroll in health maintenance organizations (HMOs), with Medicare paying a preset amount per enrollee. However, predicted cost savings have not materialized. According to the Congressional Budget Office, shifting Medicare patients to HMOs "had little or no effect on hospital use and costs." Indeed, an evaluation by an outside consulting firm found that patients in Medicare managed care programs actually cost health care providers 5.7 percent more than do patients under traditional Medicare.

> *A successful reform of Medicare must address the program's fundamental structural flaws.*

While managed care appears to have little impact on Medicare costs, it does have a significant impact on the quality of care delivered. A recent report by the Department of Health and Human Services' Inspector General found "pervasive" quality problems throughout managed care programs for Medicare, including difficulties for recipients in receiving access to care.

In general, HMOs are significantly less likely to use diagnostic tests—such as MRI and CAT scans—than are fee-for-service plans. Patient complaints about HMOs are common; some dissatisfied patients (and their families, in cases where the patient has died) have sued over the denial of treatment. One-third of doctors surveyed by the American Medical Association in 1988 stated that patients were harmed by delays or non-treatments as a result of managed care.

The Right Way to Fix Medicare

A successful reform of Medicare must address the program's fundamental structural flaws. Accordingly, Congress should resist calls to increase Medicare premiums on the elderly or payroll taxes. General revenue contributions to Medicare Part B should also be limited to grow no faster than economic growth.

Medicare benefits in both Part A and Part B should be subject to an increased deductible, adjusted each year to be large enough to keep Medicare expenditures no greater than Medicare revenues. That would be a modest amount in the first year that would grow slowly over time. Within several decades it would total several thousand dollars per year. At the same time, limits on Medicare reimbursements should be eliminated so that the program would cover catastrophic expenses without limit. In the end, Medicare would be transformed from a first-dollar insurance plan to a backup catastrophic program.

While that transformation is taking place, Medicare should provide workers with savings incentives to cover their future noncatastrophic expenses below the deductible. That can be done through expanding individual retirement accounts (IRAs) and the establishing of medical savings accounts. If necessary, vouchers could be provided to low-income elderly, sufficient to enable them to cover part or all of the increased deductible.

Each retiree also should have the right to opt out of the Medicare system by receiving a voucher equal to the average per capita expenditure under Medicare. That voucher could be used to purchase private insurance or HMO coverage or, better yet, to make contributions to a medical savings account. The elderly who choose that option would be protected from both catastrophic expenses and increasingly burdensome Medicare premiums. The vouchers would also allow them to escape the increased rationing and reduced quality of care under Medicare, and choose the private coverage and services they prefer.

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Law

Clint Bolick

Escape from the Public Schools

When I debated Keith Geiger, president of the National Education Association, a couple of years ago on the Larry King radio show, he used a verb that I thought epitomized the battle over school choice: escape. As in, "we can't let kids escape from the public schools."

His words made me instantly think of the Berlin Wall. That image has recurred often since that time as I've toured schools in inner-city neighborhoods around the country—the sense that I'm venturing to the other side of an oppressive, seemingly impenetrable barrier.

In terms of human consequences, the need to tear down that wall is compelling. In the Milwaukee Public Schools, to take one example, children from families on public assistance have an 85 percent dropout rate. Those few who graduate do so with an average grade of "D." The schools are rife with drugs and violence. Substitute Milwaukee with the name of any other large American city and the statistics are equally dismal.

Meanwhile, urban children with the same socioeconomic background in inner-city private schools have a 95 percent graduation rate, in safe, wholesome schools over which their parents exercise substantial influence.

But it's not only poor kids who suffer from the public school monopoly: 88 percent of all American schoolchildren attend public schools controlled by huge central bureaucracies and teachers' unions, and which impart the statist values one would expect given that control.

School choice dramatically alters the status quo in two essential ways. First, it transfers decisionmaking over essential educational choices from bureaucrats to parents. Second, it forces public schools to compete for students. For those reasons, school choice on a mass scale would effect a staggering devolution of power from government to individuals.

Given such dynamics, the education establishment's frenzied opposition to school choice hardly is surprising. What is startling, though, is that the likes of Keith Geiger and American Federation of Teachers president Albert Shanker are joined by some champions of liberty such as Marshall Fritz in blocking the way to school choice.

School choice dramatically alters the status quo in two essential ways. First, it transfers decisionmaking over essential educational choices from bureaucrats to parents. Second, it forces public schools to compete for students.

For such well-meaning naysayers, the argument against choice is what I call the "mighty might" rationale. That is, we should oppose school choice because it might lead to greater regulation of private schools that choose to accept vouchers, which might lead of a parade of unspecified consequences too horrible to imagine.

The regulatory concern, in fact, is overstated. The worst-case scenario the naysayers present is the example of higher education: colleges and universities have accepted federal funds, and surely enough, some (mainly civil rights) regulations have followed. Yet even with that, the model is vastly preferable to the status quo in elementary and secondary schools: in colleges and universities, students who receive financial assistance have complete freedom of choice, which has provided strong competitive incentives in both the public and private sectors. The result is a postsecondary educational system second to none in the entire world. We can hardly say that about our command-and-control system of elementary and secondary schools.

Moreover, most choice proposals contain restrictions on regulations—restrictions that can be enforced in court, thereby providing greater protection than private schools currently enjoy. Even absent such restrictions, vigilance can help prevent regulatory abuses.

What is it that the naysayers suggest by way of alternatives? "Separation of school and state" is a lofty and meritorious ideal, but for now is only a philosopher's dream. And now is when we must dismantle the public school monopoly and create educational opportunities for millions of children who desperately need such opportunities.

Privately-funded vouchers, such as those provided to low-income students in the program sponsored by the Golden Rule Life Insurance Company in Indianapolis, are excellent and preferable ultimately to tax-funded vouchers. Again, those programs are, for now, too small and few.

The most systemic means of fundamental reform remains school choice, which the Bradley Foundation's Michael Joyce aptly has described as a "silver bullet" aimed at the heart of the regulatory welfare state. Let's seize the moment—and maybe wipe that smile off Keith Geiger's face.

Clint Bolick is litigation director of the Institute for Justice, 1001 Pennsylvania Avenue NW #22 South, Washington, DC 20004-2505; 202/457-4240, fax 202/457-8574.

IJ Institute for Justice

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REVOLUTION AT THE ROOTS

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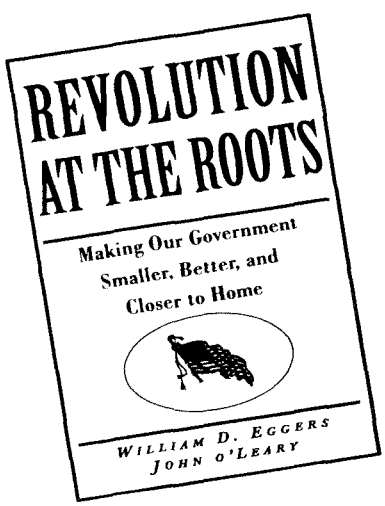

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Privatization

John O'Leary & William Eggers

Airport Contracting Takes Off

In the first major privatization of a large U.S. airport, a consortium led by the British firm BAA has been awarded a ten-year contract to manage and improve the Indianapolis Airport.

BAA projects savings of $140 million over the life of the contract, resulting in a savings in airline charges of $2 per enplaned passenger (about 25 percent). Though technically a management contract, the long-term agreement will be structured somewhat like a lease: BAA will, for example, be able to do some capital investment in new facilities. There is also the possibility of negotiating a future build-operate-transfer agreement for a new terminal.

A consortium led by the British firm BAA has been awarded a ten-year contract to manage and improve the Indianapolis Airport.

A number of other cities continue to explore airport privatization. The Port Authority of New York and New Jersey has hired several consultants to explore privatization options at Newark Airport. Meanwhile, the New York Senate Committee on Corporations, Authorities, and Commissions held a hearing in May on the possible privatization of Kennedy and LaGuardia airports, and New York governor George Pataki's Privatization Council is researching the privatization potential of state-owned Stewart and Republic Airports.

Government Funding: Exit Stage Right

When it comes to cultural institutions, many people ask: "What would happen without government support?" Well, the Round House Theatre of Montgomery County (Maryland) increased its income by 100 percent in 1994, only one year after going private.

When it comes to cultural institutions, many people ask: "What would happen without government support?" Well, the Round House Theatre of Montgomery County (Maryland) increased its income by 100 percent in 1994, only one year after going private.

The theater became a private nonprofit entity under an agreement whereby county funding will be reduced over time. The first reduction was $400,000, and there will be a 50 percent funding decrease each year through 1999, the last year of county funding. By then total savings to the county are expected to be $740,000 annually.

"What we have seen since we privatized is, in our first year, we were able to increase our earned income by 23 percent—and that was in the middle of a recession—as well as increase our donations by 88 percent," said managing director Katha Kissman.

Since privatization, the theater has had more flexibility to extend popular programs. "Before privatizing, by the time we got through all the red tape we lost momentum. We just couldn't commit to an extension," Kissman explains. "Now the board can say 'let's do it!' The freedom of just being able to plan and take advantage of what's happening has probably been the biggest reason why we've had such a success," she said.

Public Privatization

In an interesting twist to privatization, a public utility company has won a $1 million per year contract to operate the city water/wastewater facility.

Ormond Beach, Florida's public utility, won the contract coming in with a bid that was $600,000 lower than the nearest private competitor. The savings were made possible by instituting several productivity improvements, including: 1) reducing the public work force by 20 percent; 2) cross-training employees to take on added responsibilities; and 3) contracting with private companies to provide overflow and sludge treatment services.

Plant officials are pleased with the progress they've made so far, and are open to new and different ways to improve service—even if it means eventually contracting out the facility. As public works director Ted MacLeod told the *Environmental News Report*, "Privatization is not a threat, so much as a fact of life. There is always someone else out there willing to deliver good service at a lower price."

John O'Leary and William Eggers are privatization experts at the Reason Foundation, 3415 South Sepulveda Boulevard #400, Los Angeles, CA 90034; 310/391-2245, fax 310/391-4395.

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Taxes

Stephen Gold

State Tax Burdens Grew 8.3 Percent between 1993 and 1994

State tax and fee collections grew by 8.3 percent between 1993 and 1994, according to a new *Special Report* by senior economist Arthur Hall titled "State Tax Rates and 1994 Collections." The growth in inflation-adjusted tax collections continues a trend that began more than a decade ago. Dr. Hall notes that the three fastest growing categories of state collections were license fees (33.1 percent), property taxes (10.6 percent), and corporate income taxes (9.9 percent).

The growth rate of state tax collections relative to personal income growth varies substantially from state to state, observes Dr. Hall. From 1993 to 1994, the five states that had the highest tax growth relative to personal income growth were New Hampshire, South Dakota, Delaware, Utah, and Mississippi. In New Hampshire, state taxes grew approximately 33 percent faster than personal income during that 12-month time span. The five states that had the highest personal income growth relative to tax growth were Alaska, Rhode Island, Louisiana, Pennsylvania, and Vermont. In Alaska, personal income grew almost 33 percent faster than state taxes between 1993 and 1994.

However, the growth of taxes relative to income does not necessarily correlate with the overall tax burden in a state. Despite having the fastest tax growth between 1993 and 1994, New Hampshire had the second lowest tax burden per $1,000 of income (see accompanying table). On the other hand, while Alaska showed the slowest tax growth, it had the highest state tax burden. (Because of its largest tax collections from oil production, Alaska's tax burden represents a unique case.)

In 1994, Alaska saw the highest state taxes per capita ($2,647), followed by Hawaii, Delaware, and Connecticut (see accompanying table). Alaska also had the highest state taxes per $1,000 of personal income ($111.23), followed by New Mexico, Hawaii, and Delaware.

Many states enacted legislation for 1995 that alters individual income tax laws via changes in deductions, exemptions, and tax credits. However, five states changed (reduced) their income tax rates: Arizona, Michigan, New Jersey, New Mexico, and New York. Five states also changed (reduced) their corporate income tax rate: Arizona, Michigan, New Jersey, New York, and Pennsylvania.

1994 State Tax Collections Per Capita and Per $1,000 of Income

	per capita	state rank	per $1,000 personal income	state rank		per capita	state rank	per $1,000 personal income	state rank
AL	$1,153	47	$64	35	MT	1,356	32	76	17
AK	2,647	2	111	2	NE	1,317	34	64	34
AZ	1,491	21	78	13	NV	1,680	12	70	27
AR	1,268	39	75	19	NH	1,225	43	52	50
CA	1,660	13	74	23	NJ	1,743	10	62	38
CO	1,111	48	50	51	NM	1,849	7	108	3
CT	2,190	5	74	21	NY	1,803	9	69	29
DE	2,312	4	101	5	NC	1,516	19	77	15
DC	4,420	1	142	1	ND	1,443	23	78	14
FL	1,278	37	59	42	OH	1,277	38	61	40
GA	1,243	40	61	39	OK	1,365	30	77	16
HI	2,464	3	102	4	OR	1,314	35	64	33
ID	1,528	18	84	6	PA	1,429	24	64	6
IL	1,344	33	57	45	RI	1,236	41	56	46
IN	1,376	29	68	30	SC	1,234	42	70	28
IA	1,538	17	76	18	SD	1,162	46	59	41
KS	1,395	28	67	32	TN	1,105	49	57	44
KY	1,420	26	80	11	TX	1,103	50	56	47
LA	970	51	55	48	UT	1,406	27	82	10
ME	1,453	22	74	22	VT	1,362	31	67	31
MD	1,588	16	64	37	VA	1,189	45	53	49
MA	1,835	8	72	26	WA	1,694	11	75	20
MI	1,610	15	72	25	WV	1,426	25	83	9
MN	1,872	6	83	7	WI	1,658	14	79	12
MS	1,314	36	83	8	WY	1,495	20	73	24
MO	1,199	44	58	43	**US**	**$1,469**		**$67**	

Tax Foundation, 1995

TAX FOUNDATION

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Welfare

Reform & Beyond

How Much Does the Welfare State *Really* Cost?

As the national debate on welfare reform continues to dominate the 104th Congressional agenda, policymakers should recognize one overriding fact: the War on Poverty has failed. It has been thirty years since President Lyndon Johnson launched his "unconditional war." But in most respects, the problems of the poor, the underclass, and the inner city actually have gotten worse, not better, in the subsequent years.

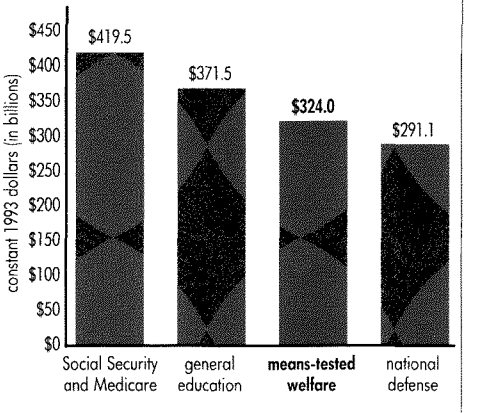
That failure is not due to a lack of government spending. In 1993 alone, federal, state, and local governments spent $324 billion on means-tested welfare programs for low-income Americans. Current welfare spending is so large it is difficult to comprehend. One way to make it more tangible is to recognize that, on average, the cost of the welfare system amounted to $3,357 in taxes from each household that paid federal income tax in 1993.

The U.S. welfare system is defined as the sum total of government programs explicitly designed to assist poor and low-income Americans. The federal government currently runs over 75 interrelated and overlapping welfare programs. These include: cash aid programs, medical aid programs, housing aid programs, energy aid programs, jobs and training programs, targeted and means-tested education programs, social service programs, and urban and community development programs. Of all of those welfare programs, 48 percent of the total welfare spending was devoted to medical programs. Cash programs took 22.1 percent. Food, housing, and energy programs comprised 18.8 percent of the total, while education aid, job training, social services, and urban and community aid accounted for 11.1 percent. Along with those federally subsidized programs, many states operate independent state-run programs.

The combination of federal and state welfare spending has made welfare the third largest category of total government spending, ranking below the top category of combined Social Security and Medicare costs, and the second category of government education spending, but above spending on national defense. In 1993, government spending on Social Security (including Old Age and Survivor's Insurance and Disability Insurance) was $304.5 billion. Medicare costs added another $115 billion, bringing total combined Social Security costs to $419.5 billion. While Social Security and Medicare combined remain the number one government spending item in the U.S., welfare spending now amounts to 75 cents for every $1 spent on Social Security and Medicare.

In fiscal year 1992, total government welfare spending exceeded spending on national defense for the first time since the Great Depression of the 1930s. By FY 1993, welfare spending by all levels of government had reached $324 billion compared with $291 billion spent for defense (see chart).

Welfare and Other Major Government Spending Functions



The Heritage Foundation, 1995

Moreover, there is not even the faintest glimmer of light at the end of the tunnel for spending on the War on Poverty. According to Congressional Budget Office figures, under existing law total annual federal welfare spending will rise from $272.1 billion in 1995 to $387.3 billion in the year 2000. The federal government will spend $1.69 trillion on welfare aid during the five-year period from 1996-2000.

Under current law, combined federal and state welfare spending will rise from $378.7 billion in 1995 to $551.7 billion in the year 2000. Together federal and state governments will spend $2.38 trillion on welfare during the next five years.

> *Together federal and state governments will spend $2.38 trillion on welfare during the next five years.*

If advocates of welfare reform are to accomplish their goals—reducing illegitimacy rates, establishing reciprocity and work demands, and promoting a sense of moral renewal among welfare recipients—the debate itself must be based on capping the growth of welfare spending and ending welfare as an entitlement. It's time to put the welfare system on a diet.

The Heritage Foundation

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RESEARCH REPORT

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agriculture

End Farm Subsidies. Today's government-run farm programs were begun during the Great Depression as a "temporary" response to a national emergency. These programs no longer serve their purpose and are wasteful and obsolete in a new agricultural era. This Heritage Foundation study includes a state-by-state analysis of how farmers would benefit under the Heritage plan. *Fact:* Less than 5 percent of farm subsidies reach the 50 percent of farmers with gross sales of less than $10,000 annually. John Frydenlund, *Freeing America's Farmers: The Heritage Plan for Rural Prosperity*, 1995, The Heritage Foundation.

Milking the Taxpayer. Farm subsidies often are portrayed as necessary to protect small family farmers. But the evidence clearly indicates that the richest farmers receive a disproportionate amount of farm subsidies. *Did you know* that 67 percent of farms with net cash farm income above $100,000 receive government payments averaging $43,278—almost 40 percent more in subsidies alone than a typical family earns each year? Rebecca S. Schaefer, "Milking the Taxpayer: A Look at Subsidies to Wealthy Farmers," *Capitol Comment*, June 26, 1995, Citizens for a Sound Economy Foundation.

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> Since 1950, the number of farms in the United States has fallen by more than 50 percent. At the same time, employment at the U.S. Department of Agriculture has nearly doubled. **Citizens for a Sound Economy Foundation, May 1995.**

Old MacDonald Wants No Help. According to a recent University of Illinois study, over 40 percent of farmers preferred to phase out farm programs after 1995 instead of maintaining current programs (37 percent) or instituting other reforms (16 percent). "Not only would reforming federal farm programs prove that 'reinventing government' is more than a slogan, it would return fairness to farming. The time is ripe for Congress to make serious changes in the federal farm programs. In the end, everyone from farmers to taxpayers would win." Rebecca S. Schaefer, "Does Old MacDonald Want a Handout? What Farmers Think about Farm Subsidies," *Capitol Comment*, July 12, 1995, Citizens for a Sound Economy Foundation.

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budget

Back on the Table? According to current projections, the Social Security fund will begin running out of money by the year 2013. Twenty-nine years later, the fund will have an accumulated debt of $4.7 trillion. This article contains a proposal for following Chile's lead and privatizing America's Social Security system. Under the proposal, a twenty-year-old who earns $10,000 per year and contributes $1,240 per year, plus an additional $610 of tax money, would accumulate $1,026,524 by the age of 65. Sam Beard, "Minimum-Wage Millionaires: The Capitalist Way to Save Social Security," *Policy Review*, Summer 1995, pp. 36-9.

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Cut Corporations Off. In 1991 American taxpayers spent $2.9 million advertising Pillsbury muffins and pies, $10 million promoting Sunkist oranges, $465,000 advertising McDonald's Chicken McNuggets, $1.2 million boosting the international sales of American Legend mink coats, and $2.5 million extolling the virtues of Dole pineapples. Business subsidy programs cost federal taxpayers more than $85 billion annually, and the dollar amount has been growing substantially in recent years. In this era of budget cutting, such corporate welfare is an excellent place to start. Stephen Moore and Dean Stansel, "Ending Corporate Welfare As We Know It," *Policy Analysis*, May 12, 1995, Cato Institute.

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Rescuing Atlanta. The Georgia Public Policy Foundation has compared Atlanta to other similarly sized cities and found that its fiscal state is perilous. Atlanta should follow the lead of other, more entrepreneurial cities that have achieved financial success through privatization, consolidating city and county services, improving employee accountability, greater use of volunteers, and professional city management. John S. Sherman, "Rescuing Atlanta from a Fiscal Crisis," *Issue Analysis*, May 1995, Georgia Public Policy Foundation.

Rolling Back Government. The Heritage Foundation has produced a 283-page itemized U.S. budget plan that would balance the budget by reducing spending, privatizing commercial activities of the federal government, closing non-essential agencies, and much more. For example: the Heritage Plan would eliminate such cabinet level agencies as the Departments of Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, Labor, Transportation, and Veterans Affairs—as well as create several new independent agencies, such as Bureaus of Agriculture, Natural Resources, and National Statistics. Scott A. Hodge, ed., *Rolling Back Government: A Budget Plan to Rebuild America*, 1995, The Heritage Foundation.

Sacred Cows. Despite the wishes of voters, who spoke decisively about wanting a leaner, more efficient government, budgets proposed by Washington State's legislature would increase, not decrease, the state's spending. This report from the Evergreen Freedom Foundation concludes that those budgets were too timid, and proposes a budget plan that would *really* cut government down to size. "The Washington State Budget: A Herd of Sacred Cows," March 1995, Evergreen Freedom Foundation.

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Stadium Subsidy Nonsense. Detroit is debating whether it should fund the construction of a new home for the Detroit Tigers. But independent research organizations such as The Heartland Institute and the Buckeye Center for Public Policy Solutions have concluded that public subsidies for sports stadiums don't make economic sense. Lawrence W. Reed, "Stadium Subsidies Strike Out," *Viewpoint*, May 1, 1995, Mackinac Center for Public Policy.

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civil rights

After Affirmative Action, What Next? Affirmative action is on its last legs. Nevertheless, the vision that underlies it is a positive one. Americans must continue the struggle for racial equality by finding civic, and not political, solutions to discrimination. "The static, regulatory vision of racial America is empirically outmoded. It is also antithetical to the long-term interests of black Americans. . . . New directions, embodied in values and practices that have worked for America before, may help solve the problems of race in ways that can be sustained." Constance Horner, "Reclaiming the Vision: What Should We Do after Affirmative Action?" *The Brookings Review*, Summer 1995, pp. 6-11.

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So Long, Racial Quotas. Racial quotas are discriminatory, violate the principles of American citizenship, foster dependency on government, restrict freedom, fail to address the central challenge facing black America today, and lower standards and expectations. *Did you know* that the number of black men in college—540,000—has fallen behind even as affirmative-action preferences in college admissions have intensified? Adam Meyerson, "Nixon's Ghost: Racial Quotas: May They Rest in Peace," *Policy Review*, Summer 1995, pp. 4-5.

PolicyFax #1200407

crime

Crime and Punishment. The crime rate has declined steadily during the 1990s, primarily because expected punishment for criminals has been rising. For example, since 1990 Texas has enjoyed a 21 percent decline in serious crime while sharply increasing its prison population to the highest rate in the nation. Morgan O. Reynolds, "Crime and Punishment in America," *Policy Report* No. 193, June 1995, National Center for Policy Analysis.

> The "expected punishment"—or the number of days in prison a criminal can expect to serve for each crime—is 2.1 years for murder, 93 days for rape, 36 days for robbery, and 11 days for aggravated assault. **National Center for Policy Analysis, June 1995.**

Republicans' Dangerous Crime Reform Proposals. "For many decades American politics has been driven by a myth: for every problem, there must be a federal solution," writes attorney Jarett B. Decker. Although for years Democrats have fought crime by expanding federal power, now Republicans—despite their repeated claims stressing a return of power to the states and the people—are expanding that power in ways that even Democrats oppose. We need to recognize that "the everyday crime that disrupts American life is largely a local problem, best handled by state and local law enforcement agencies." Jarett B. Decker, "The 1995 Crime Bill: Is the GOP the Party of Liberty and Limited Government?" *Policy Analysis*, June 1, 1995, Cato Institute.

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economic development

Costly Chicago Central Area Circulator. The Chicago Central Area Circulator is a proposed light rail trolley that would cost an estimated $775 million. But the experience of other cities' light rail projects suggests that such a figure would be extremely optimistic. For example, Los Angeles, when funding a similar program, overran its costs by 80 percent. If Chicago's capital cost estimate produces an average cost overrun, the Central Area Circulator would reach a cost of $1.1 billion. Wendell Cox, Jean Love, and Stephen Moore, "Analysis of the Chicago Central Area Circulator," May 23, 1995. Contact the Illinois Taxpayer Education Foundation, 59 East Van Buren #2517, Chicago, Illinois 60605, 312/457-5128.

Don't Raise the Minimum Wage. "Raising the minimum wage appeals to the American sense of decency and compassion. But it would be a mistake. Raising the minimum wage would impose significant costs, primarily on those unskilled Americans a minimum wage hike is supposed to help." If government really wishes to increase wages and job opportunities for all Americans, it instead should: 1) leave decisions on setting minimum wages to the states; 2) enact significant regulatory reform to reduce the cost of labor; 3) promote school choice legislation and other real education reforms; 4) cut the capital gains tax; and 5) limit benefits to decrease the incentive to remain on welfare. Mark Wilson, "Why Raising the Minimum Wage Is a Bad Idea," *Backgrounder*, May 17, 1995, The Heritage Foundation.

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education

National "Herstory" Standards. In their effort to explain American history as a combination of race, class, and gender struggles, the National History Standards developed by the U.S. Department of Education would leave a generation of children completely uninformed about important parts of Americans' national consciousness. The team that labored for two years and spent $2 million in federal grants to come up with "world class" standards refers to "Soviet advances in space" and to the *Challenger* disaster, but fails to mention the U.S. moon landing. Nor is there any mention of U.S. advances in medicine, such as the development of anesthesia, the conquest of Yellow Fever, and the discovery of the polio vaccine. Gary L. Bauer, "National History Standards: Clintonites Miss the Moon," *Perspective*, Family Research Council.

Privatizing Public Schools. "Our elementary and secondary educational system needs to be radically restructured. Such a reconstruction can be achieved only by privatizing a major segment of the educational system—i.e., by enabling a private, for-profit industry to develop that will provide a wide variety of learning opportunities and offer effective competition to

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public schools. The most feasible way to bring about such a transfer from government to private enterprise is to enact in each state a voucher system that enables parents to choose freely the schools their children attend." Milton Friedman, "Public Schools: Make Them Private," *Briefing Paper*, June 23, 1995, Cato Institute.

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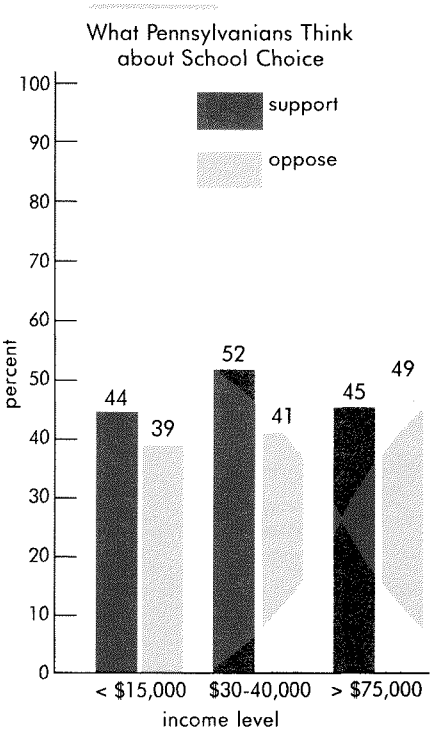
The most recent National Assessment of Education Progress reading test reports that 30 percent of high school seniors, 31 percent of eighth graders, and 42 percent of fourth graders couldn't reach "basic" reading levels. **The Heartland Institute, 1995.**

Why School Choice? J. Stanley Marshall, former president of Florida State University and currently chairman and CEO of the James Madison Institute, has written an excellent overview of school choice. Particularly useful is the section that includes compelling answers to commonly advanced concerns about choice. *Did you know:* A recent poll by the Joint Center for Political and Economic Studies revealed that 88 percent of African Americans surveyed support school choice, and that the level of support *increased* as the income level of the residents decreased. J. Stanley Marshall, *School Choice: A Time and Place to Begin*, March 1995. Contact Floridians for Educational Choice, PO Box 13894, Tallahassee, Florida 32317-3894, 904/422-2179.

Teaching Entrepreneurship. In 1986 Steve Mariotti founded the National Foundation for Teaching Entrepreneurship (NFTE), a nonprofit organization dedicated to teaching entrepreneurship to teenagers. The foundation is a tremendous success story: "[B]y quietly teaching the time-honored virtues of self-reliance, independence, and hard work, [NFTE] is already giving troubled teens their dreams." And that's despite the best efforts of big-city governments like that of Washington D.C., which has refused to waive its licensing fee of $1,500 for the inner-city teenagers who want to sell merchandise. Martin M. Wooster, "New Kids on the Block: The National Foundation for Teaching Entrepreneurship," *Philanthropy, Culture & Society*, June 1995, Capital Research Center.

The District of Columbia has the nation's second highest per pupil expenditure, yet it ranks 49th in SAT scores. In 1993, meanwhile, 100 percent of the city's teachers received a rating of "satisfactory." **The Center for Education Reform, June 1995.**



The Commonwealth Foundation, 1995

environment

A Scientist Looks at Ozone and Global Warming. Environmentalists consider ozone depletion and global warming the two greatest threats to human survival. Yet there appears to be no evidence that either is actually occurring, says Sallie Baliunas, an astrophysicist at the Harvard-Smithsonian Center for Astrophysics. Regarding ozone, for example: "There is no observational evidence that man-made chemicals like CFCs are dangerously thinning the ozone layer over most of the world." Similarly, "there is no scientific basis for a catastrophic global warming produced by the buildup of greenhouse gases from fossil fuel burning." Sallie Baliunas, "Ozone & Global Warming: Are the Problems Real?" *West Coast Roundtable on Science & Public Policy*, George C. Marshall Institute.

Is Ozone a Problem? Contrary to the claims of some scientists, there is no solid evidence that stratospheric ozone levels have been significantly depleted worldwide, or that any depletion that has occurred is permanent. And even if the ozone layer is being depleted, it isn't clear that chlorofluorocarbons (CFCs)—chemicals widely used in air conditioners, refrigerators, and cleaning compounds and commonly thought to be responsible for ozone loss—are the culprit. *Fact:* Although some believe a 5 percent decrease in ozone would increase the number of skin cancers by 10 percent, that pales in comparison to the increased risk involved with moving closer to the equator. For example, moving from Chicago to Nashville increases one's risk of skin cancer by about 67 percent. Jane S. Shaw and Richard L. Stroup, "Should We Worry about Ozone?" *NCPA Policy Report* No. 191, June 1995, National Center for Policy Analysis.

Bring On the Heat. Contrary to the doom and gloom scenarios that many environmentalists propound, both evidence and theory suggest that global warming would in general be beneficial to human and animal life. "Should warming become apparent at some time in the future and should it create more difficulties than benefits, policymakers would have to consider preventive measures. Based on history, however, global warming is likely to be positive for most of humankind, and the additional carbon, rain, and warmth should promote plant growth that can sustain an expanding world population." Thomas Gale Moore, "Global Warming: A Boon to Humans and Other Animals," *Essays in Public Policy*, 1995, Hoover Institution.

Are Electric Cars the Answer? The California Air Resources Board, to meet standards established by the 1990 Clean Air Act, has mandated that motor-vehicle manufacturers be required to produce zero-emissions vehicles (ZEV) to meet those standards. New York and Massachusetts have already decided to adopt California's ZEV standards. Other states, such as Pennsylvania, New Jersey, Illinois, Wisconsin, Maryland, Connecticut, and Indiana are thinking of doing likewise. But the added expense of California's electric vehicle mandates would cost a family of four as much

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as $160 to $1,030 per year in higher vehicle prices, energy rates, and/or taxes to fund government subsidies. Peter Gordon and Harry W. Richardson, "The Case against Electric-Vehicle Mandates in California," *Policy Study* No. 189, May 1995, Reason Foundation.

Do EMFs Cause Cancer? In the last year, the media have reported that human cancer—specifically leukemia, brain cancer, and breast cancer—is linked to exposure to electric and magnetic fields (EMFs). But how valid is that claim? The Harvard Center for Risk Analysis has concluded that although further study is necessary, there is not enough evidence to establish a definite relationship between EMF exposure and cancer. "Workers, EMFs, and Cancer," *Risk in Perspective*, April 1995. Contact the Harvard Center for Risk Analysis, Harvard School of Public Health, 718 Huntington Avenue, Boston, Massachusetts 02115, 617/432-4497.

PolicyFax #2320401

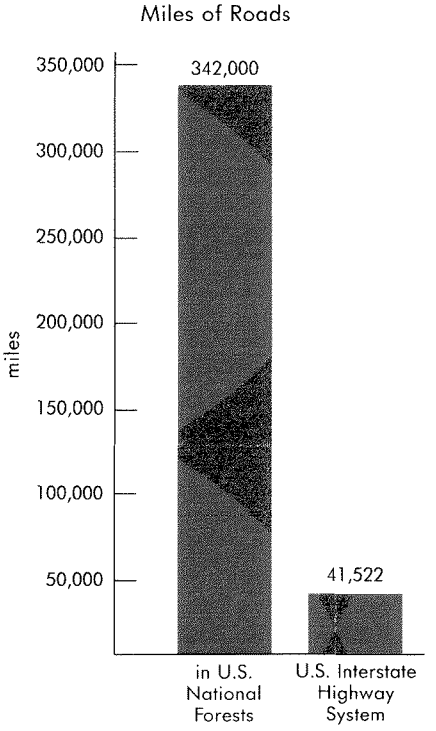
Earth Day Turns 25. The environmental movement has changed considerably in the twenty-five years since the first Earth Day. Memberships in environmental groups are declining, and the groups' political fortunes have changed too. One reason is because the groups are often more concerned with an anti-technology agenda than they are with sound science and environmental protection. Nowhere is that more evident than in the efforts of many environmentalists to ban the chemical chlorine in industrial uses: "There are no uses of chlorine that we regard as safe," says Greenpeace's Joe Thornton. Jonathan Adler, "Earth Day Plus 25," *Organization Trends*, April 1995, Capital Research Center.

Environmental Mandates Are Ruining Local Governments. The Environmental Protection Agency projects that by the year 2000 local government costs will increase from $19 billion a year to over $32 billion (in 1986 dollars) to meet new federal standards for drinking water and wastewater treatment. "It is imperative that local communities be given the opportunity to focus their limited financial resources in order to achieve the greatest environmental and other societal benefits." Michael J. Pompili, "The Rising Impact of Environmental Mandates on Local Government," *Regulation*, 1995 No. 1, pp. 76-82.

PolicyFax #0865405

How to Improve Superfund. "Most observers would agree that the current Superfund law is among the most poorly crafted and counterproductive statutes of recent years. Because of its perverse and conflicting incentives, parties are inclined to litigate and delay rather than clean up." It's time for a ten-point resolution that would overhaul Superfund and allow it to follow through on its original mission: cleaning the environment. Richard J. Mahoney, "Superfund: This Time Let's Get It Right," *Occasional Paper* No. 154, June 1995, Center for the Study of American Business.

Progressive Environmentalism. A change in leadership in Congress offers the opportunity to reshape environmental regulations—for the benefit of the environment as well as the economy. This study sets forth rules for federal environmental protection based on three principles—federalism, cost-benefit analysis, and compensation for regulatory takings—that will ensure environmental policies based on sound science and respect for Americans' liberties. Kent Jeffreys, "Progressive Environmentalism: Principles for Regulatory Reform," NCPA *Policy Report* No. 194, June 1995, National Center for Policy Analysis.



Peter Kirby and William Arther, Our National Forests: Land in Peril

The Environment . . . in Brief. The Competitive Enterprise Institute has prepared a briefing book for congressional candidates. The book provides a free-market vision for more than twenty environmental topics, including automobile fuel economy standards, biotechnology, the Clean Air Act, global warming, mandatory recycling, pesticides, risk assessment, secondhand smoke, wetlands, and many more. "Environmental Briefing Book for Congressional Candidates," August 1994, Competitive Enterprise Institute.

Risk Rewards. The United States is so obsessed with the fear of man-made chemicals that it is wasting $31 billion a year that could be spent more effectively on other lifesaving programs. *Did you know* that the ban on asbestos costs $66 million to save only one year of life among persons affected, but the same $66 million, if spent to provide heart transplants, would result in 18,333 additional years of life? John D. Graham, Ph.D., "Comparing Opportunities to Reduce Health Risks: Toxin Control, Medicine, and Injury Prevention," NCPA *Policy Report* No. 192, June 1995, National Center for Policy Analysis.

Your Turn, Mr. Gore. When Vice President Al Gore's *Earth in the Balance* was published several years ago, it set off a national debate on environmentalism. Now the Pacific Research Institute has responded directly to Gore's work. This 270-page book features articles by some of America's top environmental experts and economists on such topics as global warming, ozone depletion, tropical rain forests, solid waste, property rights, sustainable development, and more. John A. Baden, ed., *Environmental Gore: A Constructive Response to Earth in the Balance*. San Francisco: Pacific Research Institute, 1994.

Clean Air Act Alternative. National policy on the control of urban smog is misguided because it fails to account for current pollution trends and is based on the anomalous meteorological conditions of 1988. Although new data on smog have shown that the trends are continuing downward, the Environmental Protection Agency is doing little to halt regulatory overkill. "Local regions are required to adopt politically preferred but economically bankrupting control strategies to meet standards that few communities would voluntarily accept. An alternative approach would encourage the development of the most effective strategies of environmental protection and a more rational selection of environmental priorities based on their relative importance

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when weighed against other concerns." K.H. Jones and Jonathan Adler, "Time to Reopen the Clean Air Act: Clearing Away the Regulatory Smog," *Policy Analysis*, July 11, 1995, Cato Institute.

PolicyFax #2303401

family

Adopted Children Fare Well. New research data indicate that adopted children in two-parent families fare better than children in single-parent households on a number of practical health indicators. For example, nearly 40 percent of children in single-mother homes do not wear seat belts, as opposed to 20.6 of adopted children. Gracie S. Hsu, "New Research Shows Adopted Children Fare Better Than Children in Single-Parent Households," *In Focus*, Family Research Council.

> Parents of adopted children often take more interest in their childrens' lives than do parents of natural born children. For example, a 1994 poll by the Search Institute revealed that 52 percent of adopted adolescents answered "yes" to the question "My parents attend meetings or events at my school." That's compared to a national sample of only 36 percent.

The Case for Marriage. Once, parents would never think of divorcing, because that would be bad for their children. That, unfortunately, has changed. A case in point: the proportion of persons who *disagree* with the statement—"when there are children in the family, parents should stay together even if they don't get along"—has jumped from 51 percent in 1962 to a remarkable 82 percent as of 1985. It's time to replace the divorce revolution with a marriage counterrevolution. Council on Families in America, *Marriage in America: A Report to the Nation*, 1995, Institute for American Values.

Hi, Daddy. More and more experts are realizing that the key to strengthening America's families lies in reaffirming the critical importance of fatherhood. According to one study, for example, children living apart from their biological fathers are 40 percent more likely to repeat a grade in school and 70 percent more likely to be expelled. But nonprofit organizations like the National Fatherhood Initiative and the Institute for Responsible Fatherhood and Family Revitalization are working to reassert fathers as an integral part of families. Patrick and Gwen Purtill, "Bringing Daddy Home: The Fatherhood Movement," *Philanthropy, Culture & Society*, July 1995, Capital Research Center.

> "Among white females, daughters of single parents are 53 percent more likely to marry as teenagers and 111 percent more likely to have children as teenagers, says University of Wisconsin sociologist Sara McLanahan. They are also 164 percent more likely to have a premarital birth and 92 percent more likely to dissolve their own marriages." **Alabama Family Alliance, *Family Facts*.**

government

A Florida Agenda. The Tallahassee-based James Madison Institute has prepared a lengthy agenda for Florida's government. Some of Florida's and America's top policy analysts look at Florida's most pressing problems and recommend promising policy reforms for such issues as developing information technologies, educational choice, economic development versus environmental conservation, tax reform, spending limits, crime, health care, welfare reform, and more. *Florida Agenda: The Critical Issues*, 1995, The James Madison Institute.

Real-Life Success Stories. While so-called experts stay up nights debating various urban reforms, a handful of big-city mayors are actually doing something to solve the problem. Some of their methods include privatizing services, shrinking bureaucracies, lowering tax burdens, and injecting competition into public education. This *Policy Study* from the Reason Foundation includes comments by five mayors: Richard Daley (Chicago), Michael White (Cleveland), John Norquist (Milwaukee), Bret Schundler (Jersey City), and Stephen Goldsmith (Indianapolis). William D. Eggers, ed., "Revitalizing Our Cities: Perspectives from America's New Breed of Mayors," *Policy Study* No. 186, March 1995, Reason Foundation.

PolicyFax #2800401

Term Limits: Round Two. In June the Supreme Court ruled that states could not impose term limits on their representatives in Congress. But the battle to limit congressional terms, points out Norman Leahy of the U.S. Term Limits Foundation, is far from over. Leahy proposes two strategies for making congressional term limits a reality: 1) Stepping up a major voter education drive revealing a candidate's stance on term limits. That would encourage candidates to pledge to support the popular proposal and enact a constitutional amendment once they arrived in office; 2) The states can bypass Congress and hold a constitutional convention—a way to amend the Constitution without congressional support. Norman Leahy, "Term Limits: Not Over by a Long Shot," *A Heartland Perspective*, June 15, 1995, The Heartland Institute.

PolicyFax #2880106

The Past May Be Term Limits' Future. Despite the Supreme Court's recent decision to strike down congressional term limits, public support remains as high as 80 percent. Even though Congress has rejected a constitutional amendment for term limits, history teaches us that there are precedents for voters taking the amendment process into their own hands. Ronald D. Rotunda, "Term Limits and Lessons from Our Past," *Heartland Policy Study*, June 28, 1995, The Heartland Institute.

PolicyFax #2880403

Tax-Funded Lobbying. Each year American taxpayers provide more than $39 billion in grants to organizations that may use the money to advance their political agendas. For example, the Child Welfare League of America received more than $250,000 in federal funding, then turned around and launched an ad campaign to increase welfare spending. One of the organization's ads directly criticized the Contract With America's welfare reform bill, charging that "More children will be killed. More children will be raped." Marshall Wittmann and Charles P. Griffin, "Restoring Integrity to Government: Ending Taxpayer-Subsidized Lobbying Activities," *Backgrounder*, July 12, 1995, The Heritage Foundation.

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Block Grants Won't Fix Welfare

by Lawrence Reed and Dean Stansel

If you wanted something done in your community, would it ever occur to you to send a check to Washington, D.C. first, so that the federal bureaucracy could take a cut before sending back the rest?

Welcome to the new world of block grants—the latest fashion that has Congress and state legislatures buzzing. The motivation is commendable: reduce federal micromanagement and allow states to innovate by giving them large block grants of federal money with few strings attached. In place of failed, one-size-fits-all programs run rigidly by Washington, the states would function as fifty laboratories, generating new approaches that would work better because states are closer to the people. Congress, before the year is out, may reorganize and consolidate many federal programs, from welfare to crime control, this way.

If less federal meddling in how programs are locally run is the primary objective of the block grant approach, it may be easy to achieve at the start but difficult to sustain. As the old saying goes: "He who pays the piper calls the tune." Congress will always be tempted to add conditions and clarifications each time appropriations bills that contain block grants come up. It is not hard to imagine state and local officials complaining, a few years from now, "Where did all these strings come from?"

The truth is that block grants would do little to address the inherent flaws in our current system of multi-layered bureaucratic structures. Laundering the people's money through two or three levels of government is a make-work scheme for administrators. One study showed that of the $226 billion spent by federal, state, and local governments on welfare in 1990, only 35 cents of every dollar ever made it into the hands of the poor. On the farm, that's called feeding the sparrows through the horses.

Furthermore, block grants would actually reduce the accountability of government because they would separate the raiser of the tax revenue (the federal government) from the spender of it (state and local governments). If something goes awry, Washington will blame the states for not spending the money wisely, and the states will blame Washington for not providing enough money to do the job. Taxpayers and users of government services will be left wondering who is responsible for what.

It is generally true that because states and municipalities are closer to the people than the federal government, they are more accountable and responsive to individual citizens and local concerns—as long as they are spending local money. Not even the most diligent of local politicians, however, will spend money from Washington as carefully as they spend what they are accountable for raising themselves.

Michigan should have learned that lesson years ago. In the late 1980s, one township in Oakland County that has no downtown accepted federal block grant funds earmarked for downtown revitalization. The money went for a parking lot at the township hall. The same officials accepted another block grant to construct "barrier-free improvements" on the same site, but used the money not to assist the handicapped so much as to enhance their own work environments. Fifteen of the 23 block grant programs enacted by Congress since 1966 are still on the books, shoveling out $35 billion yearly and raising plenty of questions about their wisdom in the process. What makes Washington think that federal welfare for state and local governments can work any better than federal welfare for individuals?

What makes Washington think that federal welfare for state and local governments can work any better than federal welfare for individuals?

Instead of the half-hearted reform of block-granting, Congress should revive a Reagan-era reform known as turnbacks. Under that plan, the federal government turns back to state and local governments both the spending responsibility for programs now run from Washington and the revenue sources too. Instead of "We'll raise it and you spend it," with turnbacks Washington would say, "You raise it and you spend it."

For example, the Reagan administration once proposed ending federal responsibility for highways and repealing federal gasoline taxes, giving states the option of raising their own gas taxes. It wasn't enacted, but if it had been, Michigan would not be sending nearly twice as much gas tax money to Washington as it gets back each year.

If Congress is serious about putting an end to the billion-dollar paper blizzard that afflicts federal programs, and restoring accountability to our system of government, block grants are not the answer. Firing the federal middleman is.

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health care

In Florida and Elsewhere, the Private Sector Works. National, state, and local governments propose endless ways of increasing government's role in delivering health care. But in Florida and around the country, the most dramatic reforms have been introduced by the private sector, which is doing an impressive job of holding health costs down without restricting access to care. Some governments have paid attention: Jersey City mayor Bret Schundler has introduced medical savings accounts for city employees. Melanie S. Tammen, "The Private Sector Health Care Revolution: How It's Controlling Costs across Florida and America," *Backgrounder*, April 1995, James Madison Institute.

The Truth about MSAs. Medical Savings Accounts (MSAs) offer an intriguing solution to America's health care crisis. But critics of MSAs abound. This study from the Cato Institute answers some of the most common criticisms. *For example:* Contrary to popular assertion, MSAs are not regressive and of primary benefit to the wealthy. Our current system of providing a tax break only for employer-provided insurance is far more regressive. The poor would benefit significantly from medical savings accounts. Michael Tanner, "Medical Savings Accounts: Answering the Critics," *Policy Analysis*, May 25, 1995, Cato Institute.

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A Plan for Fixing Medicare. Medicare is nearly bankrupt, and its ability to maintain the quality of its services is in doubt. Medicare's Trustees report that unless the system is reformed, it will run out of money and become insolvent in the year 2002. To fix Medicare, Congress should abandon attempts at top-down centralized control and achieve cost-savings through consumer choice and competition. Stuart M. Butler, Robert E. Moffit, and John C. Liu, "What to Do about Medicare," *Backgrounder*, June 26, 1995, The Heritage Foundation.

Mending Medicare. Spending on Medicare for fiscal year 1995 exceeded $181.5 billion—approximately 12 percent of the entire federal budget. "If the Medicare system does not undergo serious systematic reform, disaster looms. Unfortunately, the reforms currently being discussed in Washington are unlikely to address the system's fundamental flaws." *A three-step solution:* 1) raise deductibles; 2) allow the elderly to opt out; and 3) raise the eligibility age. Doug Bandow and Michael Tanner, "The Wrong and Right Ways to Reform Medicare," *Policy Analysis*, June 8, 1995, Cato Institute.

PolicyFax #3228401

Radiation's Health Benefits. Say the word "radiation" and people immediately think of cancer. But low-level radiation is an essential component of many medical procedures. There are indeed risks involved, particularly in storing the radioactive waste. But to make sound decisions, policymakers, doctors, and the public alike must "weigh carefully the costs, benefits, risks and realities involved with all uses of radioactive materials." Michelle Maglalang Malkin, "Healing Power: Low-Level Radiation in Perspective," *Priorities*, 1995 Vol. 7 No. 2, pp. 10-3. Contact the American Council on Science and Health, 1995 Broadway, Second Floor, New York, New York 10023-5860, 212/362-4919.

Drug Legalization and Public Health. A prominent expert argues that legalizing drugs would benefit public health by reducing infection, violence, and criminal injustice. *Fact:* The number of casualties resulting from the "war on drugs" exceeds the number of casualties resulting from drug use. Dr. William London, "Will Legalizing Drugs Benefit Public Health? Yes!" *Priorities*, 1995 Vol. 7 No. 2, pp. 24+.

labor

Davis-Bacon Must Go. The Davis-Bacon Act was enacted during the Depression explicitly to prevent low-skilled nonunion workers—chiefly blacks and Hispanics—from competing for federally funded construction jobs. Sixty-four years later, it is time to bury this oppressive law for four reasons: 1) Davis-Bacon was enacted out of fear and racism and continues to penalize minorities; 2) It costs taxpayers at least $1.5 billion each year through inflated construction costs; 3) It imposes unnecessary regulatory burdens and heavy paperwork requirements; and 4) It needlessly and unfairly subsidizes unions. *Fact:* The Congressional Budget Office has estimated that Davis-Bacon costs the American taxpayers at least $1.5 billion per year. Mark Wilson, "Four Reasons Why Congress Should Repeal Davis-Bacon," *Backgrounder Update*, June 7, 1995, The Heritage Foundation.

Reforming Indiana's Prevailing Wage. Indiana's prevailing wage law traces its roots to the Great Depression. The law requires that a three-member board—consisting of an appointed member of the state AFL-CIO, an appointee of the government unit in charge of the project, and an appointee of the state Division of Labor—determine the "prevailing wage" of a construction project. Indiana H.B. 1008 seeks to reform this procedure by including two taxpayers on the board. It is hoped that such a reform will take taxpayer interests into account. According to author William Styring III, Indiana's current prevailing wage costs taxpayers nearly $1 billion per year. William Styring III, "For Whom Does the Wage Prevail?" *Indiana Policy Review*, May 1995, pp. 3-6.

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privatization

The Reason Foundation is sponsoring an intensive two-day training seminar on public sector reform—covering such topics as privatization, competitive government, rightsizing, and more. The conference, titled "21st Century Government: Smaller, Better & Closer to Home," will be held on September 18-19 at the Adams Mark Hotel in Philadelphia. Keynote speakers include Indianapolis mayor Stephen Goldsmith and Massachusetts governor William Weld. For more information, contact the **Reason Foundation** at **310/391-2245.**

Privatizing the Highways. In 1991 traffic "congestion caused 4.6 billion gallons of fuel to be wasted, resulted in 10.2 million hours of delays each day, and had an overall cost of $44 billion." By privatizing highways and creating markets in highway service, governments can save money and improve the quality of service. "With private operators responsible for maintenance as well as improvement of the highways, gasoline taxes and other government charges for roads could be phased out.

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New ideas and new technologies would be applied. For example, to eliminate stop-and-go conditions, private highway operators could vary toll rates by the minute to encourage less peak-hour travel." Peter Samuel, "Highway Aggravation: The Case for Privatizing the Highways," *Policy Analysis*, June 27, 1995, Cato Institute.

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Revitalizing State and Local Infrastructure. "America's public infrastructure—facilities provided by state and local governments for energy supply, transportation, water supply, and waste disposal—is in trouble. . . . States and municipalities, in partnership with the private sector, are best equipped to address America's infrastructure problems. User fees, privatization, and public-private partnerships are the tools needed for this task." Robert W. Poole, Jr., "Revitalizing State and Local Infrastructure: Empowering Cities and States to Tap Private Capital and Rebuild America," *Policy Study* No. 190, May 1995, Reason Foundation.

Tastes Great, Less Filling. Rhode Island recently cut its $11 million school-lunch budget to less than $200,000, fired all but 11 of the 780 workers who administered, cooked, and served the lunches, and hired private food-service contractors like Marriott and ARA Corp. Now the meals are not only considerably healthier, but kids are eating more of them. Says Brandon Powers, a sixth-grader, "Now the food is pretty good, so people prefer to eat it rather than build with it." Stephen Glass, "Happy Meals," *Policy Review*, Summer 1995, pp. 82-5.

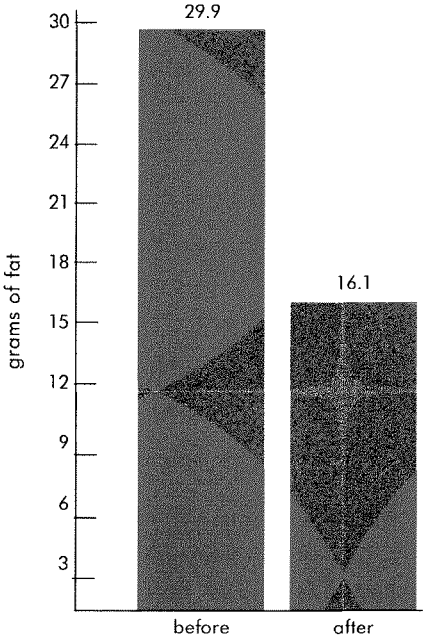
The Year in Privatization. The Reason Foundation's *Privatization 1995* is an annual report that documents the privatization efforts of international, national, state, and local governments. Among the topics addressed in this valuable reference are public sector trends, the politics of privatization, contracting, infrastructure, and much more. John O'Leary, ed., *Privatization '95*, Reason Foundation.

regulation

Pity the Employers. Why are so many employers willing to pay their workers time-and-a-half to work overtime rather than hire another person? According to distinguished economist Murray Weidenbaum, it's because government discourages the employment of people by making hiring needlessly costly. Regulations like affirmative action requirements, wrongful termination liability, family leave, mandated health care, minimum wage requirements, and many others all stifle productivity and growth, with little to show in return. Murray Weidenbaum, "The Discouraged Employer," *Research Reports*, May 15, 1995, American Institute for Economic Research.

The Irrelevance of OSHA. This year the Occupational Safety and Health Administration will spend about $300 million and send out some two thousand inspectors across the country. OSHA's main task is to inspect six million workplaces employing 93 million employees. Although U.S. workplace fatalities have indeed declined since 1970, they have declined at the same rate that they were declining in the years before OSHA's founding. It is time to ask whether the enormous costs OSHA imposes on our economy are worth the very little benefit we get in return. John Hood, "OSHA's Trivial Pursuit," *Policy Review*, Summer 1995, pp. 59-64.

Rhode Island School Lunches: Fat Content (before and after privatization)



Policy Review, *Summer 1995*

Scrap the ADA. In 1990 Congress passed the Americans with Disabilities Act. The law, although well-intentioned, imposes huge costs and a regulatory nightmare on businessowners, yet is doing very little to ease the plight of the disabled. "Five years and two important elections after the ADA passed, it is finally possible to give it the sober scrutiny it deserves." Brian Doherty, "Unreasonable Accommodation: The Case against the Americans with Disabilities Act," *Reason*, August/September 1995, pp. 18-26.

The Occupational Safety and Health Administration fined a Boise plumbing company $7,875 (eventually rescinded due to public outrage) because employees didn't take "proper" safety precautions while successfully rescuing a suffocating construction worker from a collapsed trench. **Center for the Study of American Business, February 1995.**

They Keep Going and Going . . . The Clinton administration's budget for fiscal 1996 calls for the highest levels ever in spending ($16.2 billion) and staffing (132,000 regulators) for the federal government's 55 regulatory agencies. That, despite a recent *Times Mirror* poll reporting that 63 percent of the public think federal regulations do more harm than good. Melinda Warren and Barry Jones, "Reinventing the Regulatory System: No Downsizing in Administration Plan," *Occasional Paper* No. 155, June 1995, Center for the Study of American Business.

"Rich Savwoir, owner of the US 1 Auto Parts Store in Bethpage, New Jersey, faces a one-year prison term and a $10,000 fine because he didn't post a sign stating that his store accepts waste motor oil for recycling. Savwoir says that on the day in question the sign was down because a window-washer was working on the store." **The Heritage Foundation, *Red Tape in America: Stories from the Front Line.***

Red Tape Nightmares. Did you know that environmental and other regulation can increase start-up costs for a single dry cleaner as much as $138,000? Or that there are at least three million fewer jobs in the American economy today than would have existed if the growth of regulation over the last twenty years had been slower and reg-

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The Battle within the Environment Movement

by Joseph L. Bast

The nation's biggest environmental groups are stuffing the nation's mailboxes (and its landfills) with fundraising letters claiming that "greedy special interest groups" are out to "repeal twenty years of environmental protection regulation." They will raise hundreds of millions of dollars through the effort, in the process offering their supporters a veritable smorgasbord of factual errors and spin-doctoring.

Contrary to what you'll read in those letters, the environment is not losing its battles . . . it's winning. For the first time in decades, elected officials are rejecting the hype and junk science of professional environmental lobbyists, choosing instead to carefully weigh the evidence and learn from past experience. The only losers in this battle have been the big, Washington-based environmental lobbying organizations.

Groups such as the Sierra Club, Wilderness Society, and Greenpeace are the biggest losers. Their use of exaggeration and scare tactics has led them to lose hundreds of thousands of members and much of their political clout in recent years.

A new faction of the environmental movement has emerged, at least for the moment, as the most influential voice on environmental issues in Washington and around the nation. This new faction supports a more market-based approach to environmental protection. The new environmentalists seek to rely less on government bureaucrats and more on the rational self-interest of consumers, landowners, and business people.

For the first time in decades, elected officials are rejecting hype and junk science, choosing instead to carefully weigh the evidence and learn from past experience.

Who are these new, pro-market environmentalists, and what do they believe? Their organizations include the National Wilderness Institute, Cascade Holistic Economic Consultants, PERC, and the Evergreen Foundation. Their intellectual ammunition comes from libertarian-leaning think tanks such as the Competitive Enterprise Institute, the Cato Institute, and the Reason Foundation. Compared to the groups they are replacing, they are very small and relatively young organizations. Their funding sources are diverse, and their fierce independence hearkens back to the early days of the modern environmental movement.

Pro-market environmentalists recognize that there are two ways to make people do what we want them to do: pass laws commanding them to act a certain way, or give them incentives to act the way we want. For the past thirty years, pro-government environmentalists have concentrated on commanding. They failed to see the effects that strategy was having on people's incentives. The command-and-control battle plan has resulted in tremendous costs, mixed results, and a growing popular backlash against the environmental movement. By contrast, creating the right incentives for environmental protection is efficient, effective, and just. Such a strategy requires little enforcement or monitoring, since people are doing what they want to do, not what they are being told to do. And the right incentives are unlikely to produce evasive actions, and therefore unintended consequences.

Pro-government environmentalism relies on commands; market-based environmentalism works through incentives. The battle being waged these days is a battle between these two different approaches to environmentalism. It is not, as the fundraising letters and many media accounts claim, a battle between pro- and anti-environment forces.

Congress rejected the call for "strengthening" the Endangered Species Act after pro-market environmentalists showed that the proposed changes would have led to less protection of endangered plants and animals. Congress approved amendments to the Clean Water Act after pro-market environmentalists showed that local governments and businesses needed greater flexibility to meet water quality standards. These decisions and others did not represent a setback for the environment . . . only for the pro-government environmentalist groups that were backing the wrong agenda.

True environmentalists ought to celebrate the greater attention now being paid to science, cost-benefit analysis, and property rights. It is in those areas that incentive-based approaches will be found and further progress made in protecting the environment.

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ulations more efficiently designed? The Heritage Foundation has released this 111-page guide to the nightmares that come from excessive government regulations. The stories would be funny if they weren't disrupting the lives of real people. Craig E. Richardson and Geoff C. Ziebart, eds., *Red Tape in America: Stories from the Front Line*, 1995, The Heritage Foundation.

taxes

Debunking Flat Tax Myths. Opponents of the flat tax have criticized it as being regressive, harmful to charities, and beneficial only to the rich, among other concerns. But these charges are unfounded. *For example:* under a flat tax a family of four with a yearly income of $30,000 per year would pay no taxes, while a family with a yearly income of $200,000 would pay 13.9 percent, or $27,744, of their income. Rebecca S. Schaefer, "Straight Talk about the Flat Tax," *Issues and Answers*, May 4, 1995, Citizens for a Sound Economy Foundation.

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Why Not a Sales Tax? Congress's chief flat tax proponent, House Majority Leader Dick Armey, explains why the national sales tax would be a flawed solution. "If we try to exchange an income tax for a sales tax, we could easily end up with both," reasons Armey. Dick Armey, "Caveat Emptor: The Case against the National Sales Tax," *Policy Review*, Summer 1995, pp. 31-5.

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Is a National Sales Tax the Answer? A national sales tax is a radical tax reform idea that, by dramatically decreasing the power of Washington, "offers the growth and efficiency for which our decelerating economy is gasping. It also would give the 10th Amendment financial teeth. . . . Americans soon may prosper as the federal government sits back and withers away." Deroy Murdock, "National Sales Tax Would Boost Savings, Restrain Washington," *Insight*, June 26, 1995, p. 36.

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Flat Tax, Meet Sales Tax. Four public policy experts—Edward H. Crane, president of the Cato Institute; Daniel J. Pilla, author of *How to Fire the IRS*; Bruce Bartlett, senior fellow with the National Center for Policy Analysis; and Grover Norquist, president of Americans for Tax Reform—debate the relative merits of two of today's hottest new tax reform ideas: a flat tax and a national sales tax. "Flat Tax vs. Sales Tax: A Debate on Radical Reform," *Reason*, July 1995, pp. 26-36.

> The average American family head will be forced to do twenty years' labor to pay taxes in his or her lifetime. **James Bovard, *Lost Rights: The Destruction of American Liberty*, p. 289.**

How Fair Are the Republican Tax Cuts? Opponents of the Republican tax bill that was part of the Contract With America argued that the tax cuts were "unfair," largely because the largest benefits in dollar terms would accrue to taxpayers with incomes above $200,000. Such an argument, however, is misleading. *Fact:* According to the Joint Committee on Taxation, 64.5 percent of the benefits go to taxpayers with incomes below $75,000, even though these taxpayers pay just 48.8 percent of all federal taxes. Bruce Bartlett, "Republican Tax Cuts: Are They Fair?" *Brief Analysis*, June 26, 1995, National Center for Policy Analysis.

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telecommunications

Free the Internet. On June 14 the Senate voted 84 to 16 to approve the Communications Decency Act of 1995, proposed by Sen. James Exon (D-Neb.). The bill proposes to outlaw the use of computers and telephone lines to transmit "indecent" material, a category of speech that the Supreme Court has held to be protected by the First Amendment. Such a law is poorly reasoned and would suppress freedom of expression at precisely a time when new technologies demand we should be expanding it. Besides, would-be Internet regulators ignore the private sector's push to regulate itself; Microsoft and two Internet software companies, Progressive Networks and Netscape Communications, announced in June that they are working on technology to help parents control what their children can access on the Internet. Robert Corn-Revere, "New Age Comstockery: Exon vs. the Internet," *Policy Analysis*, June 28, 1995, Cato Institute.

Lessons for the Telecommunications Industry. The digital technologies of the information age are unique in their capacity for undergoing and engendering dynamic and unpredictable change. Economic growth in this area depends on constant innovation and competition, which is best left to spontaneously developing market forces. "Government's focus should be on modifying regulations that skew the competitive process: 1) removal of barriers to market entry; 2) reduction of existing subsidies; 3) allowing the marketplace to set standards and, to a great extent, prices and profits; and 4) *removal of barriers to innovation.*" Peter K. Pitsch, "Creative Destruction and the Innovation Age," *Hudson Briefing Paper*, July 1995, Hudson Institute.

> "Regulatory delays and barriers to competition in the communications industry alone will have a devastating impact on American families, costing an estimated 3.4 million jobs, diminishing GDP by some $300 billion per year, and increasing the federal deficit through lost government revenues by $140 billion by the year 2005." **National Center for Public Policy Research, May 3, 1995.**

trade

Free the Borders. A 1979 Treasury Department study estimated that trade barriers routinely cost American consumers eight to ten times as much as the barriers benefit American producers. And a 1984 Federal Trade Commission study estimated that tariffs cost the American economy $81 for every dollar of adjustment costs saved. Richard M. Ebeling and Jacob G. Hornberger, eds., *The Case for Free Trade and Open Immigration*. Fairfax, Virginia: The Future of Freedom Foundation, 1995.

transportation

Let States Set Speeds. Congress appears poised to eliminate the federally mandated 55-miles-per-hour speed limit. Not only would that be an homage to federalism, but it would

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likely *increase* traffic safety as well. According to a study done for the AAA Foundation for Traffic Safety, fatality rates improved 3.5 percent more in states that raised their speed limits to 65 than in states that did not. John Semmens, "Improve Traffic Safety: Repeal Federal Speed Limits," *A Heartland Perspective*, July 7, 1995, The Heartland Institute.

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Rebuilding Michigan's Transportation Infrastructure. "The Michigan transportation infrastructure system is crucial to the state's economic progress and a strong case can be made that the expensive task of maintaining it should be given a new level of priority in Lansing. This blueprint for identifying Michigan's infrastructure needs rests upon several crucial findings: 1) substantial repairs and improvements are necessary; 2) policymakers must fundamentally reinvent the planning, funding, construction and maintenance procedures in Michigan; and 3) increases in motor fuel taxes should be offset by tax and spending reductions in other areas of state government." John C. Taylor, Ph.D., "Fixing the Roads: A Blueprint for Michigan Transportation Infrastructure Policy," April 1995, Mackinac Center for Public Policy.

Time to Privatize? According to the U.S. Department of Transportation, the cost of a single mile of interstate highway is $17.76 million. The entire 42,800 miles of interstate has cost $128.9 billion.

welfare

A Truly Radical Welfare Reform. Republicans and Democrats alike offer their prescriptions for reforming a failed welfare system. But all of these reforms—including workfare, focusing on "deadbeat dads," etc.—will fail because they focus on women, not men. Yet men, and a culture that emphasizes female superiority, are the real problem: "The key problem of the welfare culture is not unemployed women with illegitimate children. It is the women's skewed and traumatic relationships with men and boys. In a reversal of the usual pattern in civilized societies, the women have the income and the ties to government authority and support. . . . Favored by the feminists dominant at all levels of government, this balance of power virtually prohibits marriage, which is everywhere based on the provider role of men counterbalancing the sexual and domestic superiority of women." George Gilder, "End Welfare Reform As We Know It," *The American Spectator*, June 1995, pp. 24-7.

Reforming SSI. Congress is finally reforming the Supplemental Security Income (SSI) program. Unfortunately, the reforms currently under consideration fall far short of the dramatic overhaul that open-ended welfare entitlement program needs. *Fact:* The SSI program is riddled with fraud and abuse. For example, one Wisconsin father, hoping to obtain the generous benefits that come with having a disabled child, coached his daughter to put gum in her hair, act up in class, and earn bad grades. Her reward was an $18,000 lump-sum payment from SSI that allowed her family to buy new clothes and furniture and take a Florida vacation. Christopher M. Wright, "SSI: The Black Hole of the Welfare State," *Policy Analysis*, April 27, 1995, Cato Institute.

Women who give birth out of wedlock are more likely to go on welfare and to spend more years on welfare once enrolled. Seventy-two percent of single mothers 17 years of age or younger receive Aid to Families with Dependent Children. **M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States.***

More Gruel? Some, such as House Speaker Newt Gingrich, have proposed expanding the role of orphanages to alleviate our welfare burden. But was Charles Dickens right when he portrayed orphanages as inhospitable houses of cruelty? Not according to Richard McKenzie, a professor of economics at Claremont McKenna College and an orphan who spent his childhood in an orphanage. This case study examines the alumni of Barium Springs, a North Carolina orphanage, and finds some surprising results. *For example:* The unemployment rate for the country's entire labor force averaged over 6 percent in 1994; non-retired Barium Springs alumni had an unemployment rate of 0.6 percent—less than one-tenth of the national average. Richard B. McKenzie, "Orphanages: Did They Throttle Children in Their Care?" May 1995, Center of the American Experiment.

A Guide to Welfare Reform. The Public Interest Institute has released a comprehensive guide to welfare reform that includes sections on the history of welfare programs, the scope of the American welfare system, and prominent ideas for reform. *Did you know* that according to estimates from the Congressional Budget Office, welfare spending will exceed $500 billion by 1998, an increase of more than 64 percent since 1992? *Iowa Fiscal Letter*, July 1995. Contact the Public Interest Institute, 600 North Jackson Street, Mt. Pleasant, Iowa 52641-0135.

other topics

Private Security. Cities and communities across America are hiring private security guards to augment police protection in such areas as public parks, central cities, and residential neighborhoods. "In 1993, residents of Georgetown, an affluent and historic neighborhood on the western edge of Washington, D.C., hired a security guard. . . . Crimes had been increasing in the area for years. About 100 neighbors chipped in approximately $160 a year to hire a uniformed guard to patrol their six-block area. . . . After a year of employing the guard, residents found their streets transformed. Fresh graffiti stopped appearing on the buildings. Burglaries within the six-block area decreased by 55 percent, robberies by 50 percent. The security guard also stopped at least two serious crimes. In one instance, he frightened off two men attempting to kidnap a local couple." Tucker Carlson, "Safety Inc.," *Policy Review*, Summer 1995, pp. 66-72.

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What Pennsylvanians Think. The Commonwealth Foundation of Pennsylvania has prepared this survey that documents what Pennsylvanians think about contemporary issues. For example, residents of the Keystone State support school choice by a 48 to 44 percent plurality and oppose affirmative action by an 81 to 11 percent margin—with opposition cutting across all racial, regional, and income boundaries. "Pulse of Pennsylvania Survey," June 1995, The Commonwealth Foundation.

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Texans for an Informed Public, 1716 Magnum Street #308, Houston, TX 77092, 713/686-0400

Texas Citizens for a Sound Economy, PO Box 2165, Austin, TX 78768-2165, 512/476-5905, fax 512/476-5906

Texas Public Policy Foundation, PO Box 17447, San Antonio, TX 78217-0447, 210/614-0080

Utah State University, Institute of Political Economy, Political Science Department, Logan, UT 84322-0725, 801/750-2064

Utah Taxpayers Association, 1578 West 1700 Street #105, Salt Lake City, UT 84104

Virginia Citizens for a Sound Economy, PO Box 7551, Charlottesville, VA 22906, 703/863-8612, fax 703/863-8614

Washington Institute for Policy Studies, P.O. Box 24645, Seattle, WA 98124, 206/938-6300, 800/546-4460, fax 206/938-6313

Washington Research Council, 1301 5th Avenue #2810, Seattle, Washington 98101-2603, 206/467-7088, fax 206/467-6957

Wisconsin Policy Research Institute, 3107 North Shepard Avenue, Milwaukee, WI 53211, 414/963-0600

Wyoming Heritage Society, 139 West 2nd Street #2B, Casper, WY 82601, 307/265-5462

Yankee Institute, 117 New London Turnpike, Glastonbury, CT 06033, 203/633-8188

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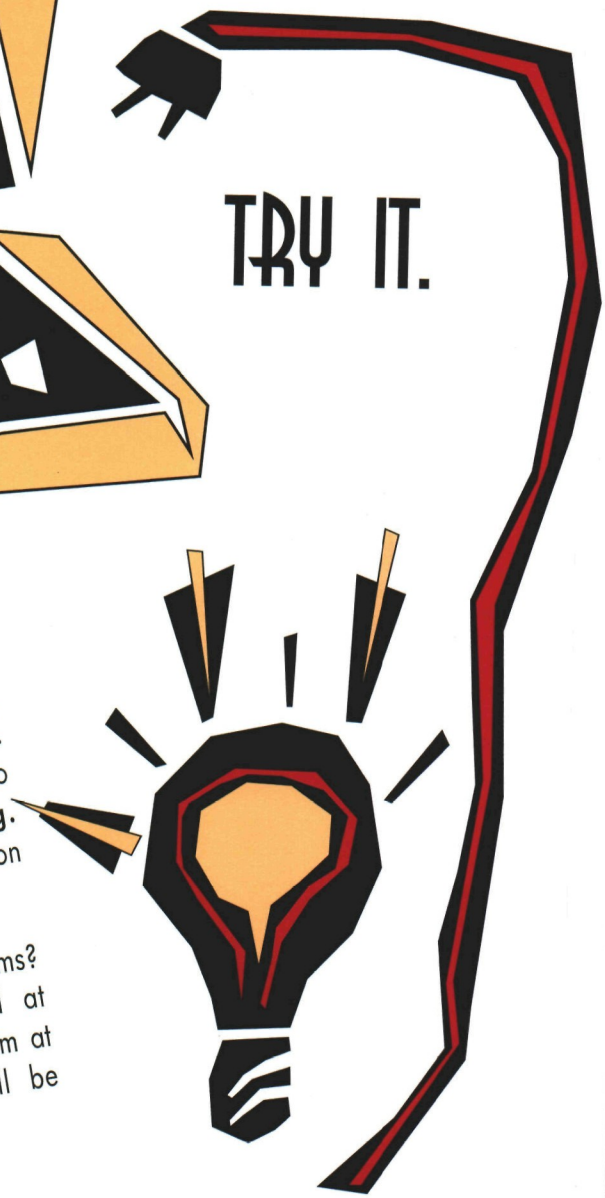

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